Wisconsin Office of the COMMISSIONER OF INSURANCE

TOWN MUTUAL ANNUAL STATEMENT PACKET
[Ref: Section 601.42, Wis. Stat.]

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TOWN MUTUAL ANNUAL STATEMENT INSTRUCTIONS

GENERAL

The Office of the Commissioner of Insurance (OCI) has implemented a Financial Filing Portal for companies to securely make financial related filings electronically with the Division of Financial Regulation. Use of the Financial Filing Portal is requested for all town mutuals. Prior to making your first filing, you must get a login and password to the Financial Filing Portal. Please refer to the instructions located at:

https://oci.wi.gov/Pages/Companies/MakeFinancialFilings.aspx

Companies are required to complete the annual statement electronically, using the Excel template located on the OCI website at:

oci.wi.gov/pages/OCIForms/TownMut.aspx

In addition to the Excel file, companies are required to submit a PDF version of the annual statement. This PDF version, along with a separate signed Signature Page, is the official public filing. [Note: The Excel file includes a macro for creating a PDF version.]

Companies are requested to submit both versions of the annual statement (Excel and PDF) through the Financial Filing Portal by February 15th.

The annual statement must have signatures of the company President, Secretary, and Manager. If there is no Manager, the Treasurer should sign in the Manager's space. [Please refer to the instructions for page 39 (Signature Page).]

This document contains specific instructions for preparing Town Mutual Annual Statement. Please see the “Filing Instructions” (below) for guidance as to how to file the Town Mutual Annual Statement, as well as other required annual filings.

Please Note: The “As of 12/31/2019” column of this statement should agree with the “current year” column of last year’s annual statement unless a merger has occurred. Then, the "prior year" column should be restated as though the merger occurred January 1 of the prior year, to enhance comparability of the current year's statement. Explanation of any differences from the prior year's statement should be noted as a footnote and in Question 22 of the Interrogatories.

Companies using a computerized system should back up their files on December 31 of each year and retain these back-ups in accordance with s. Ins 6.80, Wis. Adm. Code, Retention of Records.

If you have any questions about completing the Town Mutual Annual Statement (or other required annual filings) please contact the Office of the Commissioner of Insurance by email at ocifinancial@wisconsin.gov.

FILING INSTRUCTIONS

Town Mutual Annual Statement Filing Instructions (for filing the Town Mutual Annual Statement, Signature Page, Premium Taxes (Fire Dues Report and Schedule of Fees), CPA Audited Financial Statements, Reinsurance Contract, Holding Company Registration Statement (Form B/C), Form F, and Corporate Governance Annual Disclosure Filing) are located at:

https://oci.wi.gov/Pages/Companies/AnnualQuarterlyFilingInformation.aspx [Click on the link for Town Mutual Insurers, under “Annual Statement Packets”.]

Designation of Registered Agent: The Designation of Registered Agent form should be filed whenever there is a change in connection with a company's Registered Agent for Service of Process. It is available on the OCI website: oci.wi.gov/Documents/OCIForms/12-014.pdf, the form may be emailed to: OCIFinancial@wisconsin.gov, or sent to: Office of the Commissioner of Insurance, P.O. Box 7873, Madison, WI 53707-7873.

BASIS OF ACCOUNTING

The financial statement included in the annual statement must be on the accrual basis of accounting.

In general, the income is to be reported as earned, rather than as received, and expenses and losses are to be reflected as incurred, rather than as paid. The following steps are used to complete the Statement of Operations:

A. Expenses and Losses:
To any expenses and losses paid during the year, add amounts which had been incurred but were not yet paid at the end of the year. Then subtract amounts which were incurred in prior years but which had not yet been paid at the end of the prior year.

B. Income and Revenue:
To amounts received during the year, add amounts earned (such as accrued interest receivable). Then subtract amounts earned but not received at the end of the prior year. Refer to the receivables established at the end of the previous year for this information.

NEW FOR 2020

Section Ins 6.20 (6), Wis. Adm. Code, the investment rules for town mutual insurers, has been significantly revised effective September 1st, 2020. These instructions have been revised to incorporate these changes.

SPECIFIC INSTRUCTIONS

Please read carefully! The instructions have undergone significant revisions in 2020.

1. Read the questions, captions of schedules, and individual lines so that items are reported in accordance with the requirements of the statement.

2. Instructions for specific annual statement pages and schedules are contained in this booklet.

3. Complete all schedules in their entirety and answer all questions. If no entries are to be made, write "None" across the schedule in question.

4. Total columns and proofread the statements after completion and before submission to this office.

5. Complete subtotals where applicable.

6. The statement must be filed on or before February 15th. Late filing is a violation which is subject to a forfeiture under s. 601.64 (3) (c), Wis. Stat., and each week of delay constitutes a new violation. Contact OCI if your company needs an extension.

7. All dollar amounts should be shown as whole dollars. The amounts should be rounded and not truncated.

   Examples:
   $125.63 should be $126
   $125.41 should be $125

8. All percentages should be shown as percentages.

   Example:
   163.24%

9. For write-ins, if the company has more items than there is space available, then the smallest amounts should be summed and included as one item. This item should be listed as miscellaneous.

10. The statement should be completed using eleven-point font and should not be printed any smaller than 70% of the normal size of the page.

INSTRUCTIONS BY PAGE

PAGE 1—Jurat Page

List the officers and directors holding office as of year-end. Indicate officers or directors elected subsequent to the previous year's annual statement with a "#" indicate internal directors with a "@".

The office manager is the individual primarily responsible for the day-to-day operations of the town mutual. If an office manager is also an officer, report the salary in the officer category and show no salary in the office manager category.

Show the date of annual meeting in the year in which you are filing this report.

Please enter the NAIC company code (replaced the fax number). The company's codes are included in Appendix A at the end of these instructions.

PAGE 2—Statement of Admitted Assets

Line 3.1—Total Cash and Invested Cash: This subtotal line will be used in the statement of cash flow, page 6.

Line 5 – Stocks, Mutual Funds and ETFs: Stocks, Mutual Funds and ETFs are included in the total for this line, all of which are reported at market value.

Line 9a—Premiums and Agents' Balances in Course of Collection: Include premiums and agents' balances due to the company, but which have not been collected. Balance should be net of reinsurance.

Line 9b—Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due: Include premiums and agents' balances which are receivable from insureds, but which are not yet due because the insured has chosen a semiannual, quarterly, or monthly billing mode. For multi-year policies, do not include any receivables for coverage beginning with the next policy anniversary date. Balance should be net of reinsurance.

Line 14—Fire Dues Recoverable: This line is used to record any overpayment of fire dues.

Line 15—Reinsurance Premium Recoverable: This line is used to record any overpayment of reinsurance premium.

Line 16—Other Assets: Lines 16a thru 16d should report only expense related assets. Lines 16e thru 16h should report only nonexpense related assets, including cash surrender value of company owned life insurance, if applicable.

PAGE 3—Statement of Liabilities and Policyholders' Surplus

Line 4—Fire Department Dues Payable: This line should contain amounts payable at year end for fire department dues. Overpayment should be reflected as an asset on page 2, line 14.

Line 8—Unearned Premiums: This line should include premiums for in force policies which were not earned as of 12/31 (net of reinsurance). Premiums collected for policies becoming effective in the next year are considered advance premiums and are reported on line 12f.

Line 10—Amounts Withheld for the Account of Others: This line should include amounts withheld for the account of others, such as: federal and state withholding taxes due at year-end, FICA (social security) taxes due at year end (employee portion only) and any other employee payroll deductions due at year end.

Line 11—Payroll Taxes Payable: This line should include the employer portion of unpaid payroll taxes. Examples of this would be the employer portion of FICA (Social Security) Taxes, Unemployment Compensation Taxes, etc.

Line 12—Other Liabilities: This line should include expense related liabilities resulting from unpaid obligations of expenses listed on Schedule K. [Note: Nonexpense related liabilities do not relate to Schedule K items. These items should be reported on lines 12f through 12i.]

Examples of expense related liabilities include: unpaid broker fees, unpaid rent, and employee reimbursements.

Examples of nonexpense related liabilities include: payables for assets purchased on credit (such as furniture and equipment, and investments).

Line 12.f—Premiums Received in Advance: This line should include premiums collected for policies effective in the next year (these are considered advance premiums).

PAGE 4—Statement of Operations

Line 8a—Policy and Installment Fees: This line should include policy and installment fees received in the reporting year.

Line 10—Policyholder Refunds or Dividends: This line should include policyholder refunds or dividends declared (whether companywide or for a particular line of business). [Note: Premium written should not be reduced for policyholder dividends, as doing so would distort the company's premium written trend.]

PAGE 5—Statement of Policyholders' Surplus

Line 3—Net Unrealized Capital Gains (Losses): This line includes net unrealized capital gains (losses) during the year, as captured in Schedules C - Section 3 (for bonds), D (for stocks, mutual funds and ETFs), and G (other invested assets).

Line 5—Other Changes in Surplus: Lines 5a through 5d should be used as write-ins to report any other changes in surplus. [Note: Changes in estimates to the previous year's financial statement should not be included here, but instead should be reflected in current operations.]

PAGE 6—Statement of Cash Flow

Line 12—Other Cash Provided: Include any other sources of cash on lines 12a – 12d. [Note: Include decreases in certain receivables or nonadmitted assets, increases in nonexpense-related payables, proceeds from the sale of furniture and fixtures, and any borrowed money received.]

Line 14—Cost of Investment Acquired: Include the cost of investments acquired (including reinvestment of investment income) on the appropriate line. [Note: Any other invested assets not included in line 14a and line 14b should be included on line 14c. For example, real estate purchases and capital improvements would be entered on line 14c.]

Line 15—Other Cash Applied: List any other uses of cash on lines 15a – 15d. [Note: Include increases in certain receivables or non-admitted assets, decreases in non-expense related payables, the cost of furniture and fixtures acquired, and any borrowed money repaid.]

Note: Expense related payables are recognized in determining expenses paid on Schedule K. They should not be used in the computation of other cash provided or applied.

PAGE 7—Exhibit I - Analysis of Assets

Line 5: Stocks, Mutual Fund, and ETF Investments should be shown both in column 1 and column 4 at market value.

Line 9a: Agents' Balances or Uncollected Premiums in excess of 90 days past due contained in column 1 should be reflected in column 3 as a non-admitted asset.

Line 11: Assessments Receivable in excess of 90 days past due should be reflected in column 3 as a non-admitted asset.

Line 13: Non-operating system software should be non-admitted. **EDP equipment should be depreciated over a three-year useful life.**

Line 16—Other Assets: Prepaid expenses should be reported in Line 18 as a non-admitted asset. If the company has any cash surrender life insurance policies with the company as a beneficiary. The company should report the cash surrender value on Line 16 (h). The cash surrender value should be reported as a separate item and not be aggregated with other assets.

Line 17: Furniture and equipment should be reported as a non-admitted asset.

Line 18: Include other non-admitted assets with accurate descriptions. Lines 18a and 18b should report only non-expense related non-admitted assets. Lines 18c and 18d should report only expense related non-admitted assets.

Effective reporting year 2020, columns for ledger and non-ledger assets are combined to report total assets. Column 4 should include prior year ledger and non-ledger assets (Columns 1 and 2 of the 2019 annual statement).

Each amount shown in column 3, including the total, should reconcile to the amounts reflected on page 2, column 1.

PAGE 8—Exhibit II - Analysis of Non-Admitted Assets

Changes in Non-Admitted Assets: Certain assets are not admitted by the Commissioner of Insurance. These include, but are not limited to: furniture and fixtures, uncollected premiums over 90 days' past due, supply inventories, prepaid expenses, etc. Such items are non-admitted and should not be included in the Statement of Admitted Assets on page 2. This schedule is used to calculate the difference between such assets at December 31, previous year, and December 31, current year.

Note: If there is an increase in the total non-admitted asset balance during the year, the difference should be reflected as a subtraction from Surplus. If there is a decrease in the total non-admitted asset balance during the year, the difference should be shown as an increase to surplus.

Lines 6a and 6b should report only non-expense related non-admitted assets. Lines 6c and 6d should report only expense related non-admitted assets.

PAGE 9—Cash Deposited in Noninterest-Bearing Checking Accounts

Include all cash held within non-interest-bearing accounts (alphabetically by financial institution) on this schedule. [Note: Do not include deposits which bear deposit dates after December 31. If the cash was actually in the possession of the company at year end, and was not deposited on that date, it should be reported as cash in company's office, page 7, column 1, line 1. Cash invested in interest-bearing accounts should be included in Schedule B.]

For the purposes of calculating the excess of deposits over the FDIC limit in one financial institution (Footnote on page 9), the book balance (Column 6) reported on Schedule A should be used.

PAGE 10—Schedule B - Cash Deposited at Interest

Investments or deposits held at year-end in financial institutions which earn interest, such as interest-bearing checking accounts, certificates of deposit (regardless of remaining duration or time to maturity date), and money market savings or checking accounts, should all be listed in this schedule. All interest received, accrued, or earned on investments or deposits disposed of during the year should be summarized in line 998.

All institutions should be listed in alphabetical order.

Money market mutual funds should be included on Schedule D – Section 1, Part 2.

In Column 2a, using one of the following symbols, indicate the manner in which cash is being deposited at interest with each banking institution:

CD for certificate of deposit;
CK for interest bearing checking account;
SV for savings account; and
OT for all other types of cash deposits at interest

If interest rates fluctuate during the holding period, the rate in column 3b should be indicated as various (VAR).

Column 3a, How Paid, has the following comment:

> This should be entered as M - DD where M is the month or months interest is paid and DD is the day interest is paid. If payment is annual, the three-letter month abbreviation should be used. If the payment is semiannual or quarterly, the first letter of the months should be used. If the payment is monthly, use MTLY. If interest is paid at maturity, use MATR.

The three-letter month abbreviations to use are:

Jan = January
Feb = February
Mar = March
Apr = April
May = May
Jun = June
Jul = July
Aug = August
Sep = September
Oct = October
Nov = November
Dec = December

The following are examples:

An investment that pays annually in July on the 15th would have Jul-15 in the How Paid column.

An investment that pays semiannually on March and September 24th would have MS-24 in the How Paid column.

An investment that pays quarterly on March, June, September, and December 12th would have MJSD-12 in the How Paid column.

An investment that pays monthly would have MTLY in the How Paid column.

An investment that pays at maturity would have MATR in the How Paid column.

The above are examples and are not all inclusive of what should be shown in the How Paid column.

This also applies to pages 12 and 17.

If the company has purchased any brokered CDs (CDs purchased on a secondary market at a premium or discount and not at face/par value) they need to be recorded on Schedule C, Section 1 – Bonds (page 11) rather than Schedule B – Cash Deposited at Interest (page 10) and amortized over the remaining life of the investment.

PAGES 11—Schedule C, Section 1 - Bonds

Report all bonds (including U.S. Treasury Notes and commercial paper) in alphabetical order.

In Col. (2a), enter the appropriate Bond Type in Col. (2a) (using the drop-down menu):

- CV = Convertible
- VAR = Variable Interest Rate
- CV/VAR = Convertible and Variable Interest Rate
- BCD = CD purchased on a secondary market (a/k/a – “Brokered CD”)
- FR = Foreign

If a security has none of these features, leave blank

In Col. (2b), enter the appropriate Investment Type (“1” or “2”) in Col (2b) (using the drop-down menu).

Type 1 bonds include:

- Direct obligations of the United States government, bonds of any United States or Canadian corporation, and bonds of any United States municipality, provided that the following conditions are met:
    - Final maturity of 15 years or less.
    - A 1 or 2 designation by the national association of insurance commissioners (NAIC) or an equivalent rating by a Nationally Recognized Statistical Rating Organization (NRSRO)..
    - Zero coupon bonds, collateralized mortgage obligations, and payment in-kind bonds are not permitted.

Type 2 bonds include:

- Unrated bonds of a Wisconsin municipality or political subdivision, provided that they are direct obligations of the municipality or political subdivision. Such investments are limited to 3% of assets in any single issue or 10% of assets in a single issuer or its affiliates. [Note: Investments in unrated industrial revenue and industrial development bonds are not permitted.]

- Bonds with a final maturity of more than 15 years that would otherwise meet the criteria for Type 1.

Table below provides most common NRSRO ratings and their NAIC equivalents.

Corporate Bonds	Preferred Stock	NAIC
Moody's		
Aaa; Aa 1, 2, 3; A 1, 2, 3	Aaa; Aa 1, 2, 3; A 1, 2, 3	1
Baa 1, 2, 3	Baa 1, 2, 3	2
Ba 1, 2, 3	Ba 1, 2, 3	3
B 1, 2, 3	B 1, 2, 3	4
Caa, 1, 2, 3	Caa	5
Ca, C	Ca, C	6
Standard and Poor's		
AAA; AA+; AA; AA-; A+; A; A-	AAA; AA+; AA; AA-; A+; A; A-	1
BBB+; BBB; BBB-	BBB+; BBB; BBB-	2
BB+; BB; BB-	BB+; BB; BB-	3
B+; B; B-	B+; B; B-	4
CCC+; CCC; CCC-	CCC	5
CC; C; D	CC, C, D	6
Fitch Rating		
AAA; AA+; AA; AA-; A+; A; A-	AAA; AA+; AA; AA-; A+; A; A-	1
BBB+; BBB; BBB-	BBB+; BBB; BBB-	2
BB+; BB; BB-	BB+; BB; BB-	3
B+; B; B-	B+; B; B-	4
CCC	CCC	5
CC; C; DDD; DD; D	CC, C	6

Variable Interest-Rate Bonds:

If a company invests in bonds with variable interest rate, it should comply to the following requirements:

- Treasury Inflation-Protection Securities (TIPS) are a permitted investment
- Interest rate should be tied to changes in prime interest rate, the Consumer Price Index (CPI), or US LIBOR or its replacement
- All variable rate bonds must have an issue size of $250 million or more.
- Any other type of variable rates is not permissible; securities with variable rates that do not meet the above requirements should be immediately divested.

Column 11: List the rating at time of purchase for securities purchased after 1/1/1998, and if available, for securities purchased prior to 1/1/1998. See instructions for Column 12 (below).

Column 12: Include the current rating by a NRSRO or NAIC's Investment Analysis Office. When using the NAIC's rating, the rating should be left as 1, 2, 3, 4, 5, or 6 and not changed to its equivalent ratings by an NRSRO. [Note: An NAIC rating of 3 and below indicates an unacceptable investment for town mutual insurers unless the bond was NAIC 1 or 2 rated at the time of purchase.] List the most recently available bond rating (but not older than September 30 of the annual statement year).

Reduce the book, face, and cost basis columns for a return of capital from a bond. For example, return of the principal portion of a GNMA bond would reduce its book, face, and cost basis on this schedule. Schedule L would show corresponding amounts in columns 3 and 4.

Notes:

- Review the investment rule [s. Ins 6.20 (6), Wis. Adm. Code] for a complete description of Type 1 and Type 2 bonds.

- Statement Value:

  - Bonds rated NAIC 1 or 2 or its NRSRO equivalent:: Statement value = amortized book value.
  - Bonds rated NAIC 3 or below or its NRSRO equivalent : Statement value = the lower of amortized book value or market value.

- Some bonds are purchased at a value different than face value. The original cost of the bond should be shown in column 8. The bond discount or premium should be amortized (written-off) over the life of the bond, with the face value being shown in column 6 of the amortized book value shown in column 5. Amortized book values should be based on bond amortization listed on Schedule C, Section 2, columns 7 and 8.

PAGE 12—Schedule C, Section 2 - Bond Investment Income

Report all bonds (including U.S. Treasury Notes and commercial paper) in alphabetical order.

In Column 2b, the effective interest rate is the interest rate that is actually earned on the investment. If the amount paid for the bond was higher or lower than par value, then the effective interest rate will not be the same as the stated interest rate.

In Column 4, purchased interest should be shown as a reduction of the gross amount of interest received, and should not be reflected as a disbursement on page 4 or Schedule K.

On Line 998, all interest received, accrued or earned through year-end on bonds disposed of during the year should be summarized. Insert additional lines as necessary.

Note: Any increase or decrease in the book value of bonds resulting from the amortization of the bond premium or discount over the life of the bond should be shown in Schedule C, Section 2, column 7 or 8. Any net increase or decrease should be carried forward to the appropriate line in Schedule I, line 2, column 2.

PAGE 13—Schedule C, Section 3 - Unrealized Capital Gains/(Losses) on Bonds With Less Than 'BBB-' Ratings

This schedule is used to record unrealized capital gains/losses on bonds with less than NAIC 2 or NRSRO equivalent.

Town mutual insurers are generally limited to purchasing bonds with a minimum rating from an NRSRO (such as Moody's, Fitch or Standard and Poor's) of "BBB-", "Baa3" or the equivalent; such bonds are to be reported at amortized cost. If a bond's rating subsequently decreases to less than "BBB-", "Baa3" or the equivalent, the bond shall be reported at the lower of amortized cost or fair value, and the unrealized gain or loss shall be reported on this schedule. The bond would continue to be reported on this schedule with subsequent increases or decreases in fair value reported as unrealized capital gains or losses in each succeeding year.

In Column 8, indicate the number of years that the downgraded bond has been on this schedule.

Notes:

- A town mutual insurer shall divest of any investment which does not meet the requirements due to decline in the rating of a bond, the insurer's size, limitations on investments or any other reason, within three years of its noncompliance in accordance with s. Ins. 6.20 (6) (g) 2, Wis. Adm. Code.

- Loan-backed and structured securities may have the potential for loss of principal due to changes in interest rates or changes in the prepayment rate of the underlying loans. (Examples of such securities include interest-only structured securities and structured securities purchased at a significant premium over par value.) Such securities shall be valued using current interest rates and currently anticipated prepayments, and shall be reported on this schedule.

PAGES 14, 14.1, and 14.2—Schedule D – Preferred Stocks, Common Stocks, Mutual Funds, and ETFs

Schedule D is subdivided into 3 parts. A town mutual should include preferred stock in Schedule D, Section 1 - Part 1, mutual funds, money market mutual funds, and ETFs in Section D, Section 1 - Part 2, and common stock in Schedule D, Section 1 - Part 3.

Schedule D, Section 1 – Part 1 (pg. 14 – Preferred Stocks): Report all preferred stock (in alphabetical order) on this schedule.

In Col. (8), select the appropriate Investment Type (1 or 2) from the drop-down menu, using the following criteria:

Preferred Stock is considered "Type 1" if it meets the following conditions:

- Dividends are cumulative
- Preferred Stock of a U.S. or Canadian Corporation
- At the time of purchase, had a "1" or "2" designation by the national association of insurance commissioners, or an equivalent rating by an NRSRO (e.g. S&P, Moody's, or Fitch).

Notes: In aggregate, Type 1 preferred stocks may not exceed 5% of assets for purposes of determining compliance with the minimum expected assets threshold (refer to page 36 – Investment Limitations).

In Column 10(b), it should be indicated whether the stock is foreign (U.S. and Canadian are not considered foreign). Foreign stocks are automatically considered to be Type 2.

In Column 10(c), it should be indicated whether the dividends are cumulative ("Yes" or "No") using the drop-down menu. Only cumulative dividend stock is considered Type 1.

Note: Conversions of preferred stock to common should be recorded as if a cash transaction had occurred. The preferred stock should be included as sold on Schedule L and the value of the preferred stock converted should be used to calculate the cost basis of the common stock acquired and presented on Schedule D.

Schedule D, Section 1 – Part 2 (pg. 14.1 – Mutual Funds and ETFs): Report all mutual funds (including money market mutual funds) and ETFs on this schedule (in alphabetical order by fund name).

In Col. (1), indicate the ticker symbol of the mutual fund or ETF.

In Col. (3), indicate the appropriate Fund Type using the drop-down menu:

- MM = Money Market Mutual Fund
- MFB = Mutual Fund that invests in Bonds
- MFS = Mutual Fund that invests in Stocks
- EFTB = ETF that invests in Bonds
- EFTS = ETF that invests in Stocks

Note: If a fund invests in both stocks and bonds, it is considered to be a stock fund.

In Col. (9), indicate the Investment Type (1 or 2) using the drop-down menu. Please note:

- All Money Market Mutual Funds are Type 1.

- No-Load Mutual Funds and ETFs are Type 1 if they meet the following criteria:

  - The expense ratio (including any fees for marketing and distribution) is 1.2% or less.
  - The mutual fund has a stated investment objective (as stated in the prospectus) to invest 80% or more of its assets under management in bonds of any direct obligations of the U.S. Government or agencies or instrumentalities of the U.S. Government, any U.S. or Canadian Corporation, or any U.S. Municipality that at the time of purchase, have a 1 or 2 designation by the NAIC, or an equivalent rating by an NRSRO (such as S&P, Moody's or Fitch).
  - The mutual fund shall have an intent (as stated in the prospectus) to maintain a weighted average maturity of 8 years or less.

- No-Load Mutual Funds and ETFS are Type 2 if they meet the following criteria:

  - The expense ratio (including any fees for marketing and distribution) is 1.2% or less.
  - The fund has a stated investment objective (as stated in its prospectus) to invest 80% or more of its assets under management in common or preferred stock or convertible securities of any U.S., Canadian or foreign corporation.
  - Any shares in mutual funds and ETFs with a weighted average maturity of more than 8 years that would otherwise be permitted as a Type 1 investment.

Notes:

Valuation, Unrealized Capital Gains/(Losses): Stock, mutual fund, and ETF investments should be recorded on page 2, line 5, at their market value. Any fluctuation in the market value of these investments from the beginning of the year to the end of the year should be shown as unrealized capital gains and losses in column 7 of pages 14, 14.1, and 14.2. The total of these columns (on page 14.2) is carried to page 14.3. The total net unrealized capital gains and losses from page 14.3 are carried forward to page 5, line 3.

For stock and mutual funds purchased during the year, report the market value at the beginning of the year (column 5) the same as cost (column 4). Stocks or Mutual Funds purchased and disposed during the year should be recognized in both Schedule D, Section 2, and Schedule L.

Reinvested Dividends: Dividends earned and reinvested should be reported as a purchase. The amount of dividends received should be recognized in the cost, beginning market value, and ending market value columns. This instruction applies to all sections of Schedule D.

Schedule D, Section 1 - Part 3 (pg. 14.2 - Common Stocks):

WRC Stock: Town mutuals who hold Wisconsin Reinsurance Corp. (WRC) common or preferred stock shall value this investment based on the most recent WRC audited financial statement. For the town mutual's December 31, 2020, annual statement, this would be WRC's December 31, 2019, statement. This valuation method is considered a "permitted practice" by this office until further notice. WRC common and preferred stock are considered to be Type 2 investments.

NAMICO Stock: This office amended its position regarding the admissibility of NAMICO stock in 1992. Town Mutuals should include the value of NAMICO stock, as determined by the NAIC Valuations of Securities manual, as an admitted asset. This investment should be included in Schedule D. The gain to surplus resulting from this change should not affect Net Income, but rather be reflected as an unrealized capital gain or a decrease in non-admitted assets, as appropriate.

Note: WRC stock and NAMIC stock do not have to be divested if the company does not have sufficient Type 1 assets.

PAGE 15—Stocks, Mutual Funds, and ETFs Investment Dividend Income

If you have preferred and common stock from one issuer, report the dividends for preferred and common on separate lines.

PAGE 19 and 19.1—Other Invested Assets and Other Invested Assets Interest or Dividend Income

Schedule G, Section 1 includes all other invested assets that were not included in the previous investment schedules A through F. [Note: If an invested asset listed in this schedule is not denominated in shares or does not have a maturity date, please leave these columns blank.]

Schedule G, Section 2 includes interest, dividend, or other income from other invested assets listed on Schedule G, Section 1. For Income Type, in column 2, please indicate "Interest," "Dividend" or "Other" using the drop-down menu.

PAGES 20-23—Schedules H, Section 1 to Section 4 - Premium

The H schedules include data relating to premium income. Schedule H, Section 1 is used for premium <u>in-force</u>. Schedule H, Section 2 reconciles premium receipts to written. Schedule H, Section 3 takes premium <u>written</u>, plus or minus the change in unearned premium, to determine premium <u>earned</u>. Schedule H, Section 4 relates to assessments.

PAGE 20—Schedule H, Section 1 - Premiums In-Force

Column 2, Direct Premiums In-Force Dec. 31 Last year, is taken from column 5, Direct Premiums In-Force, of the prior year's annual statement.

Column 3, labeled "Premiums Written" should include any additions made during a policy year at their full-term premium rather than at the amount actually charged.

Example: During 20X2 company X wrote $5,000 of new premiums, $10,000 of renewals and one addition to an existing policy with a $50 premium for 1/3 of a year.

Premiums written Schedule H, Section 3, column 1 would equal $15,050, ($5,000 + $10,000 + $50). However, premiums per column 3 of Schedule H, Section 1, on the original premium basis would be $15,150. The difference between the Schedule H, Section 3 premiums written (cash basis) and the Schedule H, Section 1 premiums written (original premium basis) is due to the fact that additions are included on Schedule H, Section 3 at the amount collected and on Schedule H, Section 1 at the rate that would have been charged had the addition run a full-term.

Column 4 of Schedule H, Section 1 is also on the original premium basis.

Example: Company X writes only one-year policies. During 20X2 the company wrote $2,000 of new premiums, $9,000 of renewals and had one addition during that year. The addition was $40 for 1/2 of a year. Expirations per column 4, Schedule H, Section 1 would be $11,080 for 20X3, ($2,000 + $9,000 + $80). Since the company writes only one-year policies, those written in 20X2 expired during 20X3. The additions which have expired should be on the original premium basis, hence $80 instead of $40. (Note: Return premiums on cancellations should also be in this column on the original premium basis.)

<u>Note</u>: If the inventory method used, Columns 2 and 4 will have the same amount, Column 3 will have current year inventory and equal Column 5.

PAGE 21—Schedule H, Section 2 - Reconciliation of Premium Receipts to Premium Written

This schedule is used to reconcile the premium and assessment receipts, less premium and assessments receivable as of the prior year, plus premium and assessments receivable as of year-end, to the current year premium written. The net premium and assessments received, line 16, column 1, should agree to the statement of cash flow, page 6, line 1. The first section of the schedule relates to direct premium dollars (before reinsurance). The second section of the schedule relates to reinsurance ceded.

Line 16 shows the net amount of sections 1 and 2. It is calculated by subtracting line 15 from line 7.

For the direct premium section only the premium written (column 4) need be split as to fire, EC, Mechanical Breakdown, Other or liability. For the reinsurance ceded section only the total ceded (column 4) need be split as to pro rata and excess reinsurance.

Reinsurance Ceded Definitions:

> Pro Rata Reinsurance. Pro rata reinsurance is a sharing, on a predetermined basis, by the insurer and the reinsurer of premiums and losses on a risk, class of risks, or particular portion of the insurer's business. In consideration of a predetermined portion of the insurer's premium or premiums, the reinsurer agrees to pay a similar portion of claims and claim adjustment expenses incurred on the business reinsured. The reinsurer's participation in the claims is set without regard to the actual frequency and severity of claims. Pro rata reinsurance can be effected by means of quota share or surplus share reinsurance. The insurer usually receives a commission at the time of ceding on this type of reinsurance.
>
> Excess Reinsurance. Under excess reinsurance, the insurer limits its liability to all or a particular portion of the amount in excess of a predetermined deductible or retention. Thus, the reinsurer's portion of the loss depends on the size of the loss. The relationship between the premium and claims of the insurer and the reinsurer is not proportional. This type of reinsurance is generally used to supplement pro rata reinsurance and replace it on many casualty lines. Excess reinsurance takes three basic forms: per risk basis, per occurrence basis, and aggregate basis.

The total premiums and assessments written in column 4 should carry forward to page 22, line 7, column 1.

Premiums and assessments written off as uncollectible should be accounted for similar to returned premium, that is, debited to premium written.

Net reinsurance premiums payable or receivable in the prior or current years should be shown in columns 2 and 3, respectively.

PAGE 22—Schedule H, Section 3 - Net Premiums and Assessments Earned

This schedule takes premium from a written basis to an earned basis. The first section (lines 1 – 7) should include by line the direct amounts of premiums written and assumed during the year and the applicable amounts of unearned premium to arrive at direct premiums and assessments earned.

The second section (lines 8 – 15) should reflect amounts that have been ceded to your reinsurer. These amounts should be obtainable through reports received from your reinsurance company.

Line 16 shows the net amount of sections 1 and 2. It is calculated by subtracting line 15 from line 7.

See instructions for page 21—Schedule H, Section 2 for definition of the reinsurance types.

The calculation of unearned premium should be in accordance with s. Ins 13.08, Wis. Adm. Code.
Use of a method other than that in s. Ins 13.08, Wis. Adm. Code, requires approval from the Insurance Commissioner.

PAGE 23—Schedule H, Section 4 - Assessment Income and Receivable

Line 8—Previous Assessments:

Column 4 - is the amount of unpaid assessments at the beginning of the year from the previous years' assessments.

Column 5 - is the amount of assessments collected during the year from previous years' assessments. Column 6 is the amount of assessments cancelled during the year from previous years' assessments.

Column 7 - is the amount of remaining unpaid previous years' assessments and are nonadmitted assets in page 7, line 11, column 3.

Assessments levied should be included in Direct Premiums Written lines 1 – 7 on Schedule H, Section 2.

PAGE 24—Schedule I: Net Investment Income Earned

Include any reinvestment of interest/dividends increasing the value of the asset held in this schedule.

PAGE 25—Schedule J, Section 1 - Net Losses Incurred

Section 1 (lines 1 - 7) should reflect direct losses paid by the company. Direct losses paid column 4 should include all losses paid on policies written by your company whether paid directly by you or by your reinsurer on your behalf.

Section 2 (lines 8 - 17) should contain reinsurance recoveries and recoverables related to your paid and unpaid losses and LAE. This information should be obtainable through reports of your reinsurer. See Schedule H, Section 2 instructions for reinsurance definitions. Nonproperty losses and LAE paid on a company's behalf by its reinsurer should be shown in both direct losses and reinsurance recoveries; that is, direct nonproperty losses incurred on policies written by the company should include all nonproperty losses whether paid by the company or by the reinsurer. Line 16 should be LAE Reinsurance Recoverables on Paid Losses. Column 2 will equal page 28, column 2, line 11.c and column 3 will equal page 28, column 2, line 11.b.

Line 18 computes net losses incurred. Amounts are computed by subtracting line 15 from line 7.

Line 19c, Net Losses Paid, should agree with the Statement of Cash Flow, page 6, line 2.

Column 5, line 18, Unpaid Losses, should agree to Schedule J-1, page 26, column 4, line 16.

The two lines denoted with asterisks '*' (at the bottom of the schedule) should be completed if

applicable. If Schedule J includes anticipated salvage and subrogation (net of reinsurance), this

should be reported in the line denoted by the asterisk '*'.

PAGES 27-28—Schedule K - Net Expenses Incurred

This schedule includes the expenses of the company with the current year totals split as to loss adjustment, other underwriting, or investment expenses. The allocation of expenses provides for a better matching of revenue and expenses.

Expenses reported on lines 1 through 7 should be on the incurred basis. Many line items can appropriately be included in a particular column. The following table identifies a suggested pattern for allocation. However, for line items which do not clearly relate to a single expense type (LAE, other underwriting, or investment) should be allocated based on a reasonable systematic method. If it is not practical to determine a reasonable basis, split the general expenses as follows: 10% loss adjusting, 80% other underwriting, 10% investment. You should be able to support the basis you use for allocation.

Line 2b, relating to ceded commissions, in most cases is positive unless the company is paying back commissions to the reinsurer.

Line 4d-Retirement Plans: This line includes all company contributions to employee retirement plans including but not limited to 401(k), SEPP and Simple.

Line 7h—Report investment fees paid to investment advisor during the reporting year. Report fees that are based on a standard fee structure such as percentage of admitted assets, fixed/flat fees, hourly rate, annual rate/retainer, or any other contractual arrangement.

Line 7i—Report other transactional investment expenses paid during the year (brokerage fees, etc.).

Line 11b Plus Reinsurance Recoverable LAE Current Year, this amount is from page 25, column 3, line 16.

Line 11c Less Reinsurance Recoverable LAE will equal the amount reported on page 25, column 2, line 16.

Schedule K

Suggested Basis for Allocation of Expenses

	Type of Expense	(1) Loss Adjustment Expense (LAE)	(2) Other Underwriting	(3) Investment
1.	Loss Adjusting Expenses			
	a. Direct	All		
	b. Reinsurance Ceded	All		
2.	Commissions			
	a. Direct		All	
	b. Reinsurance Ceded		All	
3.	Directors Fees and Expenses			
	a. Meeting Fees	Studies	Studies	Studies
	b. Loss Adjusting Fees	All		
	c. Underwriting and Inspection		All	
	d. Meeting Expenses	Studies	Studies	Studies
	e. D&O Insurance	Studies	Studies	Studies
4.	Personnel Costs			
	a. Salaries and Wages	% of Time	% of Time	% of Time
	b. Health Insurance/ Benefits	% of Time	% of Time	% of Time
	c. Payroll Taxes	**	**	**
	d. Other	**	**	**
5.	Real Estate Costs			
	a. Rental of Office Space	**	**	**
	b. Utilities - Heat and Electric	**	**	**
	c. Property Taxes	**	**	**
	d. Depreciation - Real Estate	**	**	**
	e. Insurance	**	**	**
6.	Office Costs			
	a. Telephone	**	**	**
	b. Advertising	**	**	**
	c. Printing and Stationery	**	**	**
	d. Office Maintenance/Supplies	**	**	**
	e. Equipment Lease/Maintenance	**	**	**
	f. Depreciation-Furniture and Equipment	**	**	**
	g. Depreciation-Computer	**	**	**
	h. Computer Software	**	**	**
	i. Automobile Expenses	**	**	**

**Same % as Salaries

Schedule K

Suggested Basis for Allocation of Expenses (Continued)

Type of Expense	(1) Loss Adjustment Expense (LAE)	(2) Other Underwriting	3) Investment
7. Other			
a. Loss Prevention and Inspection		All	
b. Rating Bureaus		All	
c. Trade Association Dues		All	
d. Legal and Accounting	Studies	Studies	Studies
e. Interest Expense		All	
f. Fire Department Dues		All	
g. Agent Licensing		All	
h. Investment Management Fees			All
i. Other Investment Fees			All
j. Seminars/Conventions		All	

** Same % as salaries.

Lines 9 and 10: Expenses unpaid for the current and prior year are computed using the following items:

Liabilities

Unpaid Loss Adjustment Expenses
Interest Unpaid
Fire Department Dues Payable
Commissions Payable
Payroll Taxes Payable
Accounts Payable
Accrued Property Taxes
Return Commissions Due Reinsurer
Other Expense-Related Liabilities

Less Assets

Fire Department Dues Recoverable
Reinsurance Commissions Receivable
Other Expense-Related Assets*

Unpaid liabilities falling in the category of Amounts Withheld for the Account of Others (page 3, line 10) and other Liabilities Nonexpense Related (page 3, line 12f thru line 12h) should not be included in these calculations. They are not expense related.

*Including prepaid expenses.

PAGE 29—Schedule L - Net Realized Capital Gains and Losses on Invested Assets

This schedule assists in determining the amount of realized capital gains and losses on sales of investments. Include all invested assets disposed of or redeemed, even if the net realized capital gain is zero.

Cash deposited at interest should be included in this schedule in the event there is a gain or loss on a sale or redemption. Cash transactions do not flow through to the cash flow page (6). Therefore, cash deposited at interest transactions only need to be reported if there has been a realized gain or loss.

Purchase dates and dates sold should be in the MM/DD/YY format. VAR for various would also be appropriate.

Bonds have a face value. If the bond is purchased for less than face value, the bond was purchased at a discount. This discount should be amortized (written off) over the life of the bond. The cost or other basis as shown in column 3 is the actual cost, or the amortized basis in the case of a bond that was acquired at a price other than face value. If the bond was purchased for more than face value, a premium exists, and this premium should be amortized (written off) in the same, but opposite, manner as the bond discount. Bond amortization should be calculated annually in Schedule C.

In the case of real estate, the cost or other basis again would be the book value—original cost less depreciation taken to the date of sale.

Column 4: The consideration received normally means the selling price. However, brokers' commissions, etc., might also be involved, and the selling price in these instances should be the net amount received (after consideration of brokers' fees).

When a return of capital is received from an investment (e.g., GNMA Bond principal), report the basis and amount of capital received on Schedule L, columns 3 and 4, respectively. When the basis equals the consideration received (i.e., GNMA principal amounts), the net realized capital gain will be zero and should be entered in column 5.

The return of capital noted above should also be reflected on Schedule C or D as a reduction in the book, face, and cost basis.

Mutual fund sales should be reported in column 4 using an adjusted cost basis (cost adjusted for past sales, purchases, and reinvested dividends), column 4 would show the consideration received.

A column was added (Asset Type) to this schedule. Please choose Asset Type for each investment sold.

Note: Pages 30 to 38 must also be completed by town mutuals filing the NAIC Fire and Casualty Annual Statement.

PAGE 30—Schedule M - Policies and Risk In-Force

To arrive at Gross In-Force on package policies (Homeowners, Mobilehomeowners, Farmowners, S.M.P., etc.) you must total all coverages extended under Section I of the policy.

Example:	Homeowner: Section I	A.	Dwelling	$50,000
		B.	Appurtenant structures	5,000
		C.	Unscheduled personal property	25,000
		D.	Additional living expense	10,000
			Total coverage offered	$90,000

Line 6—Only deduct reinsurance which is ceded on facultative or quota share basis, not on excess of loss or catastrophic basis. Your reinsurer might be able to provide this information to you.

Column 4 should include the sum of Mechanical Breakdown and Other Coverage.

PAGES 31-34—General Interrogatories

All questions must be answered.

Question 2b-Identify the number of internal and external board of director members: A separate bulletin was issued by the Office of the Commissioner of Insurance in 2005 further defining the term "Inside Director" as it relates to s. 612.13 (1m), Wis. Stat. Please refer to the bulletin and the statute when completing this question. (Note: If the company has no "Inside" directors, enter "0".)

Question 6—Change in Management: For purposes of this question, change in management includes hiring or replacement of the office manager or other personnel responsible for the daily operation of the company. This may include the appointment or election of a new secretary or treasurer or other key personnel.

Question 8a—Written Investment Plan: The new investment rule requires the board of directors to adopt a written plan for acquiring and holding investments. [s. Ins 6.20 (6) (h), Wis. Adm. Code] The investment plan should include guidelines on the quality, maturity, and diversification of the company's investments. The investment strategies should be appropriate for the business conducted by the town mutual, the company's liquidity needs and its surplus level. Indicate the date this plan was adopted by the board of directors and the most recent amendment, if applicable.

Question 8c: A cell was added to include the effective date of the custodial agreement. If the custodial agreement has been amended, this date should be the date of the most recent amendment.

Question 13a—Largest Agents: List the largest agents by premium volume, who exceed 10% of the town mutual's direct business, including director-agents. Please indicate individual agent's name and agency name, if available. It includes disclosure of the approximate percentage of the town mutual's volume produced by each agent, and if the agent also writes for competing insurers.

Question 13b—Commissions: List commission rates for new and renewal business by lines of business. If the commission rate for all lines of business is the same, it is acceptable to report "all lines of business" instead of listing each line separately. The company may also list lines with the same rate together.

Question 13c—Policy Term: Please check each item which applies.

Question 15—Largest Risks: The largest single net risk in force is defined as the maximum possible fire loss at any one location, net of reinsurance. This may not necessarily be your largest policy.

Question 20—Federal Income Taxation: Please identify the town mutual's method of federal income taxation.

Question 21—Last Examination: Please indicate the "as of" year examined, not the date the examination team was on-site.

Question 22: Please comment on events or transactions during the year that represent major changes or unusual events for the company. Examples of events that might be included are: mergers, reunderwriting, expansion of territory, reduction in number of agents, material changes in investments, significant gains/losses, causes of material changes in key ratios, difference between amounts reported between years, etc.

Question 24: Indicate the market value of WRC stock as reported on the current statement.

Companies with Pension Plans

It is expected that Wisconsin-domiciled insurers adequately fund their pension plan commitments to employees. If a town mutual insurance company's pension plan commitments include a defined benefit pension plan, then the town mutual insurance company is to comply with the National Association of Insurance Commissioners' Statement of Statutory Accounting Principles No. 102 relating to reporting for employers' pension obligations. If the projected benefit obligation for vested employees exceeds the fair value of plan assets as of December 31, 2019, this liability shall be recognized in accordance with one of the two following methods that has been consistently applied:

a. If the company has elected to record the entire liability as a direct charge to surplus in the past, it shall report a liability equal to the difference between the fair value of plan assets and the projected obligation as of December 31, 2019.

b. If the company has elected to amortize this liability as the component of net periodic pension cost over a three-year period, it should adjust the annual amortization amount for any excess over the original estimates and reported in surplus.

Each town mutual insurance company that sponsors any form of pension plan should include, under Item #22 in the General Interrogatories of the Annual Statement, a brief description of the pension plan, including the type of plan, when it was established, who is covered, a general description of benefits provided, and the cost of the plan to the company in the calendar year covered by the Annual Statement. If the pension plan is a defined benefit pension plan, the disclosure should also include the plan's projected benefit obligation, the fair value of plan assets, and the assumptions used in the measurement of the company's net periodic benefit cost, including the discount rate, the expected long-term rate of return, and the assumed rate of compensation increase.

PAGE 35—Ratio Analysis

This page includes a recap of selected financial data and statistics (lines 1-11) and computation of selected financial ratios (lines 12-19). Selected ratios are computed on both a direct and net basis.

Line 5 and Line 6

Since negative amounts are entered on L1C and L2C, these amounts should be subtracted in the formula. This will be the same as addition.

See Crosscheck guide (page 40) for references of these amounts for lines 1-11.

PAGE 36—Schedule of Investment Limitations

Please review the investment rules (s. Ins 6.20 (6), Wis. Adm. Code) for Type 1 and Type 2 investment definitions. Wisconsin Administrative Rules are published at docs.legis.wisconsin.gov/code/admin_code/ins.

Effective September 1, 2020, s. Ins. 6.20 (6), Wis. Admin. Code regulating investment rules for town mutual insurers was revised. This schedule was amended for reporting year 2020 to incorporate these changes.

There are now two quantitative requirements for Type 1 investments that determine a town mutual's capacity to invest in Type 2 investments. The first requirement described in s. Ins. 6.20 (6) (c), Wis. Admin. Code – Minimum Expected Assets calculates the amount of assets that any town mutual must hold in less risky (Type 1) investments in order to be able to invest in Type 2 securities. If a company's Type 1 assets reported as of year-end are equal or greater than Minimum Expected Assets, then the company can invest in Type 2 securities.

The second requirement described in s. Ins. 6.20 (6) (g), Wis. Admin. Code – Transition and Divestment – calculates the amount of Type 1 assets a town mutual must hold all the time. If a company's Type 1 assets is below the second requirement, then the town mutual must divest of any of Type 2 assets except WRC and NAMIC stocks. This dual calculation was created in order for town mutuals to add flexibility and avoid the necessity to divest of its Type 2 investments even if their Type 1 securities declined below the Minimum Expected Assets requirement.

Specific Instructions for Page 36:

Town mutuals must have a certain amount of less risky investments, Type 1, before being allowed to invest additional funds in more risky investments, Type 2. The purpose of this schedule is to determine if the town mutual has sufficient funds in Type 1 investments and if there is additional capacity to invest in Type 2 funds.

List Type 1 investments held as of December 31 of the reporting year in lines 1 to 7 of the Schedule of Investment Limitations.

Type 1 Investments include:

- Direct obligations of the United States government, bonds of any United States or Canadian corporation, and bonds of any United States municipality, provided that the following conditions are met:
  - Final maturity of 15 years or less.
  - A designation of 1 or 2 by the NAIC or an equivalent rating by a NRSRO.
- Preferred stock provided that the following conditions are met:
  - Dividends are cumulative
  - Preferred Stock of a U.S. or Canadian Corporation
  - At the time of purchase, had a designation of 1 or 2 by the NAIC, or an equivalent rating by an NRSRO (e.g. S&P, Moody's, or Fitch).
  - Limitation: Type 1 Preferred Stock is limited to 5% of the total assets
- Demand deposits, interest bearing accounts and certificates of deposit, all withing the FDIC limits
- Money Market Mutual Funds
- No-Load Mutual Funds and ETFs are Type 1 if they meet the following criteria:
  - The expense ratio (including any fees for marketing and distribution) is 1.2% or less.
  - The mutual fund has a stated investment objective (as stated in the prospectus) to invest 80% or more of its assets under management in bonds of any direct obligations of the U.S. Government or agencies or instrumentalities of the U.S. Government, any U.S. or Canadian Corporation, or any U.S. Municipality that at the time of purchase, have a 1 or 2 designation by the NAIC, or an equivalent rating by an NRSRO (such as S&P, Moody's or Fitch).
  - The mutual fund shall have an intent (as stated in the prospectus) to maintain a weighted average maturity of 8 years or less.

Type 2 Investments include:

- Unrated Wisconsin Municipal Bonds
- Bonds with Maturity Greater than 15 Years
- Common Stock
- Preferred Stock not Included as a Type 1 Investment
- Real Estate
- Mortgage Loans
- ETFs and No-Load Mutual Funds that have an expense ratio of 1.2% or less and do not meet the criteria for Type 1 investments.

Minimum Expected Assets is calculated on Line 16. If line 16 is zero or positive, the company may purchase Type 2 investments. If line 16 is negative, then go to line 23 to calculate the Minimum Assets Before Divestment. If line 23 is zero or positive, no action is required. However, no Type 2 investments can be purchased. If line 23 is negative, the company must divest of its Type 2 investments. WRC and NAMICO stocks are not subject to the divestiture.

Answers to lines 24 "Did the company have Excess Type 1 Assets as of 12/31/2019" and 25 "Were additional Type 2 assets purchased in the 2020 reporting year" should be based on the information presented in the 2019 Annual Statement, and should not be adjusted for the investment rules changes that became effective September 1, 2020.

Column title Pro Forma 2019 is for informational purposes only; it is used to show pro forma prior year investment compliance, calculated under the new investment rules. Additional Type 2 investment purchases for the 2020 year will be based on the rules in effect on 12/31/2019.

PAGE 37—Fidelity Bond

The Fidelity Bond requirements for town mutual insurers is reproduced below:

> "(6) FIDELITY BOND REQUIREMENTS. All insurers subject to this rule shall procure and maintain in force a fidelity bond or honesty insurance as a guaranty against financial loss caused by employe dishonesty. The bond shall cover all fraudulent or dishonest acts, including larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction or willful application, committed by employes acting alone or in collusion. The bond shall cover all officers, directors and employes having direct access to the company's assets and with responsibility for the handling and processing of income of the company and disbursements of the company. The minimum amount of the bond shall be determined on the basis of the total admitted assets, plus gross income of the company as set forth in the following schedule:"

Total Admitted Assets Plus Gross Income (Investment Income Plus Direct Written Premium)	Minimum Amount of Bond
$ 0 - $ 500,000	$ 20,000
500,001 - 1,000,000	35,000
1,000,001 - 1,500,000	50,000
1,500,001 - 2,000,000	65,000
2,000,001 - 2,500,000	80,000
2,500,001 - 3,000,000	95,000
3,000,001 - 3,500,000	110,000
3,500,001 - 4,000,000	125,000
4,000,001 - 4,500,000	140,000
4,500,001 - 5,000,000	155,000
5,000,001 - 5,500,000	170,000
5,500,001 - 6,000,000	185,000
6,000,001 - 6,500,000	200,000
6,500,001 - 7,000,000	215,000
7,000,001 - 7,500,000	230,000
7,500,001 - 8,000,000	245,000
8,000,001 - 8,500,000	260,000
8,500,001 - 9,000,000	275,000
9,000,001 - 9,500,000	290,000
9,500,001 - 10,000,000	305,000

PAGE 39—Signature Page

The Office of the Commissioner of Insurance (OCI) has implemented a Financial Filing Portal for companies licensed as domestic and non-domestic insurers to securely make financial related filings electronically with the Division of Financial Regulation. Use of the Financial Filing Portal is requested for all town mutuals. Prior to making your first filing, you must get a login and password to the Financial Filing Portal. Please see the information at https://oci.wi.gov/Pages/Companies/MakeFinancialFilings.aspx to get set-up to make filings.

The annual statement must have signatures of the company President, Secretary, and Manager. If there is no Manager, the Treasurer should sign in the Manager's space.

Companies must submit a signed Signature page as a separate document through the Portal. If there are more than one Signature page (i.e. one for each signatory), please submit as one document.

APPENDIX A

NAME	NAIC COMPANY CODE
ALL-STAR TOWN MUTUAL	11270
ARLINGTON MUTUAL FIRE INS CO	11785
ASHLAND COUNTY TOWN INS CO	11784
BARABOO FARMER'S MUTUAL INS CO	11783
BARRON MUTUAL INS CO	11782
BERRY & ROXBURY MUTUAL INS CO	11781
BLOOMINGTON FARMERS MUTUAL INS CO	11780
BRISTOL TOWN INS CO	11779
CALEDONIA MUTUAL FIRE INS CO	11778
CLARNO MUTUAL INS CO	11776
COLUMBUS MUTUAL TOWN INS CO	11774
DARLINGTON MUTUAL INS CO	11769
DUPONT MUTUAL INS CO	11768
FALL CREEK	11765
FARMERS TOWN MUTUAL INS CO	11764
FLYWAY MUTUAL INS CO	11763
FRANKLIN FARMERS MUTUAL INS CO	11760
GREEN COUNTY MUTUAL INS CO	11759
(ETTRICK)HEARTLAND MUTUAL INS CO	11766
HELENVILLE MUTUAL INS CO	11757
HENRIETTA GREENWOOD & UNION MUTUAL FIRE INS CO	11756
HOLLAND MUTUAL FIRE INS CO	11755
JAMESTOWN MUTUAL INS CO	11752
KENOSHA COUNTY MUTUAL INS CO	11751
LAPRAIRIE MUTUAL INS CO	11750
LEBANON CLYMAN MUTUAL INS CO	11749
LIBERTY MUTUAL FIRE INS CO	11748
LUCK MUTUAL INS CO	11744
MARCELLON-COURTLAND SPRINGVALE MUTUAL INS CO	11743
MEDINA MUTUAL INS CO	11742
MERRIMAC-LODI MUTUAL INS CO	11741
MT PLEASANT-PERRY MUT INS CO	11735
NEW HOPE MUTUAL INS CO	11734
NORTHEASTERN MUTUAL INS CO	11732
NORTHERN FINNISH MUTUAL INS CO	11731
PELLA MUTUAL INS CO	11729
PRICE COUNTY TOWN MUTUAL INS CO	11728
RACINE COUNTY MUTUAL INS CO	11727
REEDSBURG WESTFIELD MUTUAL INS CO	11726
RIVER FALLS MUTUAL INS CO	11725
RIVER VALLEY MUTUAL INS CO	11607

SENECA SIGEL MUTUAL INS CO	11723
SOUTH CENTRAL MUTUAL INS CO	11721
SOUTHEAST MUTUAL INS CO	11719
SPRING GROVE MUTUAL INS CO	11718
STOCKHOLM TOWN MUTUAL INS CO	11717
SUGAR CREEK MUTUAL INS CO	11713
THERESA MUTUAL INS CO	11658
TRADE LAKE MUTUAL INS CO	11655
TRI COUNTY MUTUAL TOWN INS CO	11653
WASHINGTON TOWN MUTUAL INS CO	11638
YORKVILLE & MT PLEASANT MUTUAL INS CO	11425